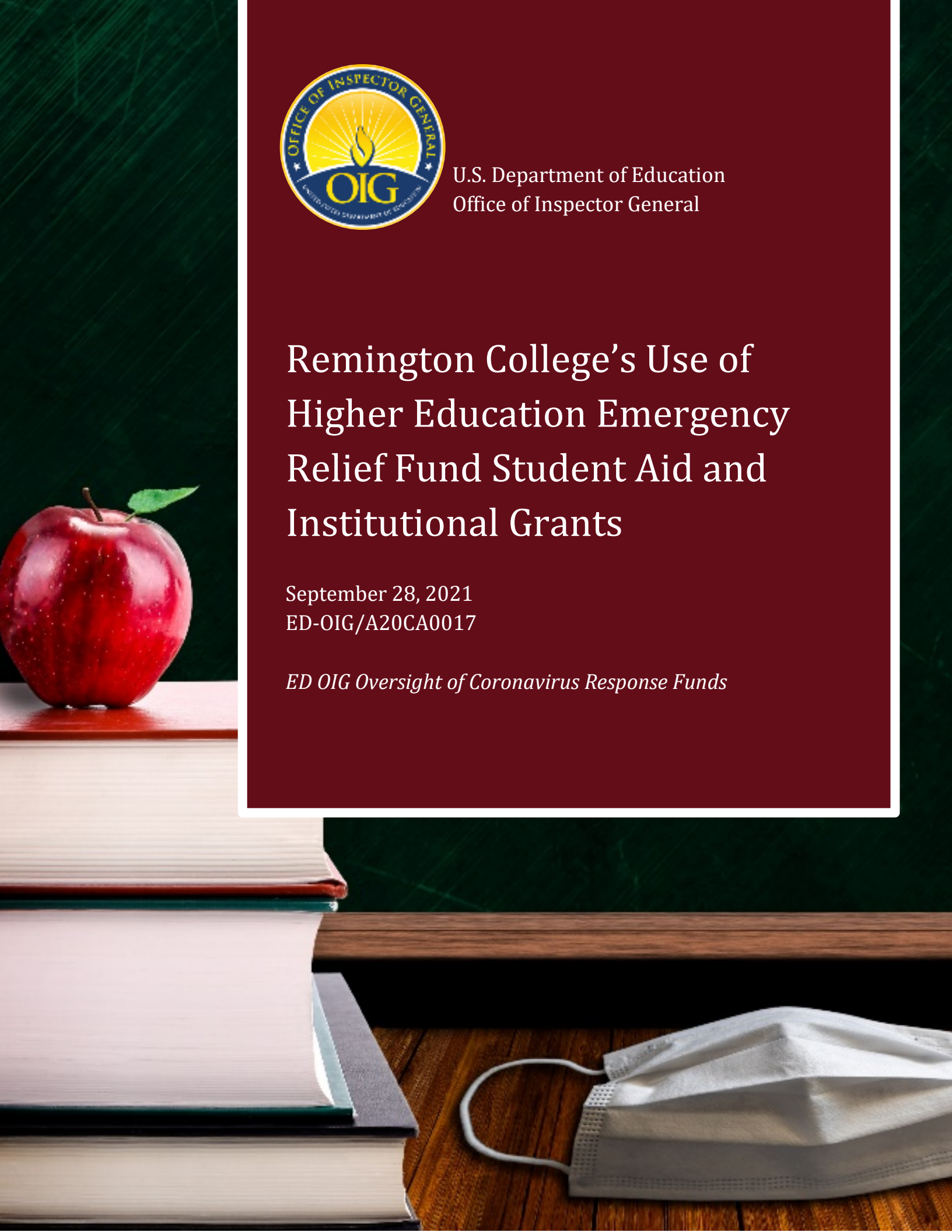


U.S. Department of Education
Office of Inspector General

Remington College's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants

September 28, 2021
ED-OIG/A20CA0017

ED OIG Oversight of Coronavirus Response Funds

NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.

September 28, 2021

Pam Bell
President
Remington College
7131 Business Park Lane
Lake Mary, FL 32746

Dear President Bell:

Enclosed is our final audit report, "Remington College's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants," Control Number ED-OIG/A20CA0017. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on this audit:

Dr. Michelle Asha Cooper
Acting Assistant Secretary
Office of Postsecondary Education
400 Maryland Avenue, S.W.
Washington, DC 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, we would appreciate receiving them within 30 days.

Sincerely,

/s/

Daniel P. Schultz
Director of Pandemic Relief Audits

Enclosure

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Results in Brief

What We Did

The objective of our audit was to determine if Remington College used the Student Aid (Assistance Listing Number (ALN) 84.425E) and Institutional (ALN 84.425F) portions of its Higher Education Emergency Relief Fund (HEERF) grant funds for allowable and intended purposes. Our audit covered Remington College's use of HEERF[1] funds from the grant award date[2] through September 30, 2020. Because Remington College drew down but did not expend all Institutional grant funds by September 30, 2020, we also included in our review expenditures through December 31, 2020, that were paid for with Institutional grant funds that the school had drawn down by September 30, 2020. Our audit also covered Remington College's cash management practices and reporting of HEERF expenditures.

To achieve our audit objective, we interviewed Remington College officials responsible for drawing down, managing, awarding, spending, and reporting on the school's HEERF grant funds. We also reviewed Remington College's policies and procedures and other documentation (for example, bank statements, invoices, student records) for managing, authorizing, and accounting for HEERF-related transactions and expenditures. Additionally, we reviewed a sample of Student Aid grant distributions and Institutional grant expenditures to determine whether Remington College used the Student Aid and Institutional portions of its HEERF funds for allowable and intended purposes. We also compared the timing and amounts of drawdowns of HEERF funds with accounting records (expenditure information) to determine whether Remington College minimized the time between drawdown and disbursement of the funds. Lastly, we reviewed HEERF reports that Remington College posted on its website covering expenditures from the grant award date through September 30, 2020, for the Student Aid portion and through December 31, 2020, for the Institutional portion. We reviewed the HEERF reports and Remington College's accounting records to determine whether the school reported timely and quality information.

[1] In this report, "HEERF" generally refers to both the Student Aid and Institutional grant funds. We use "Student Aid" and "Institutional" when the information is specific to the respective grant.

[2] The award date for Remington College's Student Aid grant was April 25, 2020, and the award date for its Institutional grant was May 5, 2020.

What We Found

Remington College generally used the Student Aid portion of its HEERF grant funds for allowable and intended purposes but did not always use the Institutional portion of its funds in accordance with Federal requirements. We found that Remington College spent Institutional funds for several unallowable purposes and did not always follow Federal procurement and cash management requirements. Specifically, Remington College

- improperly used $80,121 of Institutional grant funds to purchase multiyear software subscriptions that extend beyond the supplemental grant period;
- may have improperly used $64,985 of Institutional grant funds to cover costs associated with its purchase of student computers;[3]
- did not always use a competitive procurement process for Institutional grant purchases over $10,000, contrary to Federal regulations; and
- did not minimize the time between drawing down and spending its Institutional funds nor deposit excess HEERF funds (Student Aid and Institutional) in an interest-bearing account, contrary to Federal regulations.

We also determined that the information in Remington College's required HEERF reports posted on its website was generally accurate, complete, and timely.

What We Recommend

We recommend that the Assistant Secretary for Postsecondary Education—

- Require Remington College to return to the U.S. Department of Education (Department) the $80,121 in Institutional grant funds spent beyond the supplemental Institutional grant period or reallocate the funds to other allowable costs.
- Clarify whether the costs that Remington College initially charged to its Institutional grant for student computers were allowable under the law and existing guidance, and determine whether Remington College's subsequent

[3] As discussed in Finding 2, Department guidance regarding the use of Institutional grant funds under HEERF suggests that if a school experienced "disruption of instruction" as a result of the coronavirus, the school could charge the costs of computers purchased under existing practices to its HEERF grant. This guidance appears to reflect a broader interpretation of allowable costs under the relevant part of the statute.

reallocation of costs for other expenses in the amount of $64,985 (corrective actions) was appropriate.

- Determine whether the $639,400 that Remington College charged to its Institutional grant for contracts awarded without a competitive procurement process was reasonable when compared to the quality and costs of suitable alternatives, and if not, require appropriate corrective actions.
- Require Remington College to ensure that school officials responsible for making purchasing decisions receive sufficient training on Federal rules and regulations related to grant administration and management.
- Require Remington College to incorporate Federal requirements related to grant performance periods (allowable costs), procurements, and cash management in its policies and procedures for managing HEERF grant funds.
- Determine whether Remington College accurately calculated interest and ensure that the correct amount of interest is returned to the Federal government in accordance with 2 Code of Federal Regulations (C.F.R.) § 200.305(b)(9).

Remington College Comments

We provided a draft of this report to Remington College for comment. We summarize Remington College's comments at the end of each finding and provide the full text of the comments at the end of this report (see Remington College Comments).

Remington College stated that it agreed with Finding 1.

Remington College disagreed with Finding 2 and Recommendation 2.1, but it did not explicitly agree or disagree with Recommendations 2.2–2.5. Remington College disagreed with sub-finding, Subscriptions Extending Beyond Supplemental Grant Performance Period, stating that the software was for the direct benefit of students and supported the school's transition in educational programming in response to the coronavirus. Remington College disagreed with sub-finding, Student Computer Purchases, stating that the increased cost of student laptops was attributable to a significant change in the school's delivery of instruction. Remington College disagreed with sub-finding, Competitive Procurement Processes, stating that it was best for students to have a seamless transition without months of delay from vetting, testing, and negotiating with other vendors. Remington College acknowledged that it did solicit bids and proposals before executing some contracts but noted that in some cases, no responses were received from prospective vendors, and in other cases, the solution options were so limited that comparable bids were unavailable. While it disagreed with

Finding 2 and each of its sub-findings, Remington College described the corrective actions it has taken in response to the recommendations related to the Student Computer Purchases and Competitive Procurement Processes sub-findings (Recommendations 2.2–2.5).

Remington College disagreed with Finding 3, stating that at the time it drew down the Institutional grant funds (May 2020), the Department had advised schools to use the funds expeditiously and its single draw of Institutional grant funds facilitated swift administration of the funds. Remington College also said that the Department's initial cash management guidance was limited and did not mention the requirement that schools limit the time between draw and expenditure of HEERF grant funds to 15 days. While it disagreed with Finding 3, Remington College described the corrective actions it has taken which include returning unexpended Institutional grant funds to the Department, setting aside money to cover the interest that would have been earned on those funds, updating its policies and procedures for managing Institutional grant funds to include applicable cash management requirements, and setting up interest-bearing accounts for its Institutional and Student Aid grant funds. Remington College also agreed to remit interest earned more than $500 in accordance with 2 C.F.R. § 200.305(b).

Office of Inspector General Response

Regarding the Subscriptions Extending Beyond Supplemental Grant Performance Period sub-finding under Finding 2, our report does not question the nature of the software purchased or whether there may have been some benefits associated with the school's decision to purchase subscriptions for multiple years. However, as noted in this report, Remington College must use non-HEERF grant funds to pay for subscription services extending beyond the supplemental grant performance period ending May 19, 2022, to comply with 2 C.F.R. § 200.309. To use HEERF funds beyond May 19, 2022, Remington College would have to request a no-cost extension of the grant period and the Department would have to determine that such an extension was appropriate under 2 C.F.R. § 200.308.

Regarding the Student Computer Purchases sub-finding under Finding 2, we questioned whether Remington College used the Institutional grant funds to pay for expenses related to a significant change in the delivery of instruction due to the coronavirus, as required by Section 18004(c) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). As noted in this report, Remington College's purchase of student computers was not an expense related to this change because it has been the school's practice, even before the national emergency was declared, to provide computers to students when they enroll at the school. Because Remington College said that it had refunded the $64,985 in increased computer purchase costs to the Department, we

added a sentence in Finding 2 and modified Recommendation 2.2 to reflect the refund. Regarding the Competitive Procurement Processes sub-finding under Finding 2, our report does not question the school's vendor selections for the six contracts identified in this report. Rather, our report describes the Uniform Guidance general procurement standards that all Federal grantees, including Remington College, must comply with. If Remington College thought an exception to a competitive process under 2 C.F.R. § 200.320(f) applied, it should have requested a waiver from the Department.

Regarding Finding 3, we acknowledge that the Department strengthened its guidance regarding cash management in its October 2020 Frequently Asked Questions document and in the Grant Award Notification (GAN) for Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan funds. However, Enclosure 4 to the Student Aid and Institutional GANs for CARES Act funds described the cash management requirements under 2 C.F.R. § 200.305(b) that Remington College must follow. The requirements included minimizing the time between draw and disbursement of grant funds and depositing those grant funds in an interest-bearing account. In its comments, Remington College acknowledged that it should not have drawn down the entire $6.7 million in May 2020.

We did not make any substantive changes to the findings based on Remington College's comments. As noted in our response above, we modified Recommendation 2.2 in response to Remington College's stated corrective action for the Student Computer Purchases sub-finding. Remington College's proposed actions, if implemented, are responsive to Recommendations 2.2, 2.3, 2.4, 2.5, 3.1, 3.2, and 3.3.

Introduction

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) enacted on March 27, 2020, authorized more than $2 trillion to battle the coronavirus pandemic and its economic effects. The CARES Act provided $31 billion for an Education Stabilization Fund to prevent, prepare for, and respond to the coronavirus, domestically or internationally, including $17 billion for State and local agencies and $14 billion for the Higher Education Emergency Relief Fund (HEERF).

CARES Act Higher Education Emergency Relief Fund Grants

In Section 18004 of the CARES Act, Congress set aside $14 billion in HEERF funds to mitigate the impact of the coronavirus on students and institutions of higher education. Section 18004(a)(1) provided about $12.6 billion (90 percent) for direct grants to schools to prevent, prepare for, and respond to the coronavirus. Of the remaining HEERF funds, 7.5 percent ($1 billion) was for formula grants to schools to address needs directly related to coronavirus and another 2.5 percent ($349 million) was for schools that the U.S. Department of Education (Department) determined had the greatest unmet needs related to the coronavirus.

For direct grants, the Act required schools to distribute at least 50 percent of their HEERF funds to students as emergency financial aid grants to help cover expenses related to the disruption of campus operations due to the coronavirus. Schools could use the remaining funds for additional emergency financial aid grants, or to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The Department's Office of Postsecondary Education (OPE) is responsible for administering and overseeing these grants, which were awarded to more than 4,500 schools.

In April 2020, the Department allocated about $12.6 billion to schools as two separate grants—50 percent of each school's total authorization for emergency financial aid grants to students under Assistance Listing Number (ALN) 84.425E (Student Aid portion), and 50 percent for institutional costs under ALN 84.425F (Institutional portion).[4] In addition to submitting an application, the Department required schools to sign separate Certification and Agreement forms to access their Student Aid and Institutional grant funds. Schools had 1 calendar year from the award date of each HEERF grant (Student Aid and Institutional) to spend the funds unless the school received a no-cost extension. The Department also required schools to report publicly on their use of HEERF funds by

[4] Schools had to use the Student Aid portion only for emergency financial aid grants to students and could use some or all of the Institutional portion for emergency financial aid grants to students.

posting the required information on the school's primary website on a quarterly basis. The Institutional and Student Aid portions of HEERF funds are subject to Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 Code of Federal Regulations (C.F.R.) Part 200 (Uniform Guidance).[5] The Uniform Guidance also addresses cash management requirements.

Additional Coronavirus Relief Legislation

After the CARES Act, Congress passed two additional coronavirus relief laws that provided additional HEERF funding. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was signed into law on December 27, 2020, authorizing an additional $22.7 billion for schools under the HEERF programs. CRRSAA provided additional flexibilities in how HEERF funds could be used, including for defraying expenses associated with the coronavirus such as lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll. Additionally, section 314(d)(2) of CRRSAA extended the allowable use provisions listed above to a school's unspent CARES Act funds.

On March 11, 2021, the American Rescue Plan (ARP) was signed into law, adding $39.6 billion in additional HEERF funding. ARP and subsequent Department regulations changed the eligibility requirements to allow institutions to provide emergency aid to any individual who was enrolled at an eligible institution on or after March 13, 2020, the date of the national emergency.

Remington College

The Department had allocated to Remington College a total of $72.1 million in coronavirus relief funds by the conclusion of our fieldwork in May 2021. In April and May of 2020, the Department awarded Remington College about $13.4 million in CARES Act HEERF funds: $6.7 million (50 percent) for the Student Aid portion (ALN 84.425E) and $6.7 million (50 percent) for the Institutional portion (ALN 84.425F). In January 2021, it was awarded an additional $21.6 million in HEERF funds under CRRSAA. In

[5] The Office of Management and Budget's Uniform Guidance is an authoritative set of rules and requirements for Federal awards that synthesizes and supersedes guidance from earlier Office of Management and Budget circulars. It was officially implemented in December 2014 by the Council on Financial Assistance Reform.

May 2021, Remington College was awarded an additional $37.1 million in HEERF funds under ARP. [6]

Remington College is a nonprofit career college that offers programs in the fields of business; graphic design; beauty and fitness; criminal justice; information technology; healthcare; nursing; culinary arts; electronics; heating, ventilation, and air conditioning; and engineering technology. These diploma and certificate programs typically take between 8 to 24 months to complete. Each month, new students enroll in and existing students graduate from these programs. Most students are enrolled in certificate programs.

As of March 2020, Remington College had 14 campuses located in seven States (Alabama, Arkansas, Louisiana, Ohio, South Carolina, Tennessee, and Texas).[7] Thirteen of the campuses provided ground-based instruction; one campus provided only online instruction. Remington College's campuses are accredited by the Accrediting Commission of Career Schools and Colleges.

Impact of Coronavirus

Before March 13, 2020, the date of the national emergency, all but one of Remington College's campuses provided in-person or blended (in-person and remote) instruction. The remaining campus was an online only campus. In March 2020, Remington College closed all ground-based campuses and transitioned classes from in person, hands-on instruction to 100-percent online, remote instruction. According to Remington College officials, the school made these changes to protect students and employees from the coronavirus and encouraged its employees to work remotely. Remington College officials told us that the school was able to transition most of its ground-based instruction to 100-percent online, remote instruction by the end of March 2020 by leveraging the online instruction capabilities of its existing online campus.

Remington College's biggest challenge was converting hands-on laboratory classes to an online, remote format. The school developed simulated laboratory classes, where possible, but some laboratory courses required in-person, hands-on instruction. For example, students enrolled in the dental hygiene program needed to train on a human to satisfy graduation requirements.

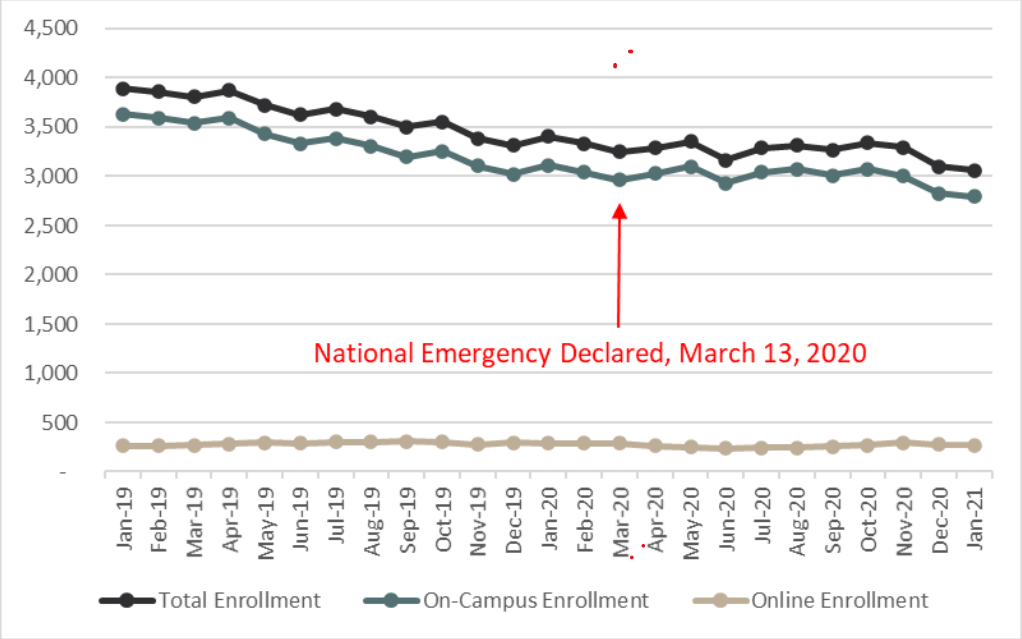
[6] CRRSAA and ARP authorized new HEERF funding to schools for the Student Aid and Institutional portion. The Department allocated these funds under ALN 84.425Q. Our audit covered only the CARES Act HEERF funds.

[7] Remington College's main administrative office is in Lake Mary, Florida.

In August 2020, Remington College reopened its ground-based campuses for students enrolled in laboratory courses that could not be converted to an online, remote format. Remington College officials told us that the school will continue to provide blended instruction after the coronavirus pandemic passes and that offering mostly online with some ground-based laboratory instruction will be the 'new normal' for Remington College.

Remington College's total monthly enrollment before the national emergency (January 2019–March 2020) averaged about 3,600 students. From April 2020–January 2021 (first 10 months after the national emergency was declared), the school's total monthly enrollment averaged about 3,250 students, a decline of about 350 students when compared to average student enrollment before the national emergency.[8] Figure 1 shows student enrollment at Remington College before and after the national emergency was declared in March 2020, broken down by online, on-campus, and total enrollment.

Figure 1. Remington College Student Enrollment, January 2019 through January 2021



SOURCE: Office of Inspector General Analysis of Remington College's Enrollment Data

[8] More than 90 percent of Remington College's students are eligible to participate in programs under Title IV of the Higher Education Act of 1965.

Finding 1. Remington College Generally Used Student Aid Funds for Allowable and Intended Purposes

Remington College generally used the Student Aid portion of its HEERF grant funds for allowable and intended purposes. As of September 30, 2020, Remington College had awarded 2,214 emergency financial aid grants to students totaling approximately $4.1 million (61 percent) of the $6.7 million in Student Aid grant funds it was awarded under the CARES Act. We reviewed documents and records (such as student enrollment agreements, grant applications, and student information records) from the school's student financial aid system for 30 (1.4 percent) of the 2,214 grants and determined that all 30 students were eligible to receive the grants and were issued checks from Remington College.[9] However, as discussed in Finding 3, Remington College did not deposit Student Aid grant funds in an interest-bearing account in accordance with Federal cash management requirements.

We reviewed three HEERF reports (initial, 45-day, and quarterly) that Remington College posted on its website for the Student Aid portion and determined that the information in those reports was generally accurate, complete, and timely.

How Remington College Awarded and Distributed Student Aid Grant Funds

Congress intended for Student Aid grant funds to provide students emergency financial relief for expenses related to the disruption of campus operations, including students' cost of attendance, such as food, housing, course materials, technology, health care, and childcare. The Department directed schools to award emergency financial aid grants only to students who were or could be eligible to participate in Title IV of the Higher Education Act of 1965 (Title IV) programs (Title IV-eligible).[10, 11] Schools had discretion in

[9] The results from our testing pertain only to the students included in our review and should not be projected to the entire universe of students who received Student Aid grant funds. Because no exceptions were identified, we determined that no further testing was needed.

[10] To be eligible for Title IV funds, a student must satisfy several eligibility requirements. Those requirements, in part, include being a U.S. citizen or eligible noncitizen, being enrolled as a student in an eligible program at an eligible school, maintaining satisfactory academic progress, not being in default on a Title IV loan, and registering for Selective Service if required.

[11] In May 2021, Department regulations subsequently changed the eligibility criteria so that students no longer had to be Title IV-eligible to receive an emergency financial aid grant.

determining the amount of individual emergency financial aid grants and how to distribute the funds to students.

Remington College's policy was to distribute emergency financial aid grants in the amount of $1,850 to existing students (1) for whom the school had an Institutional Student Information Record (ISIR) from the Department on file and (2) who the school determined to be Title IV-eligible.[12] Remington College considered factors such as expected student enrollment and the grant performance period end date when it settled on the $1,850 grant award for each student. School officials told us that the school wanted to ensure that all Student Aid grant funds would be distributed by the end of the grant performance period.

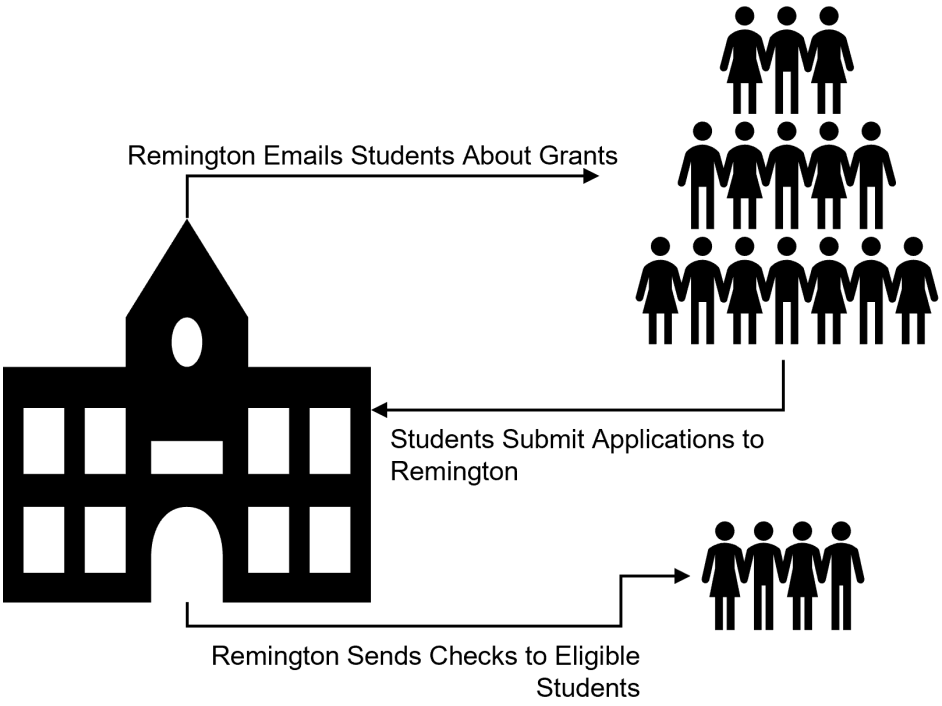
Remington College's policy was to verify students' Title IV eligibility, in part, by confirming that students (1) were enrolled or accepted for enrollment in a degree or certificate program, (2) currently enrolled were making satisfactory academic progress, (3) did not owe an overpayment on Title IV grants or loans, (4) were not in default on a Title IV loan, (5) did not fraudulently receive Title IV loans in excess of annual or aggregate limits, (6) had a valid social security number, (7) signed up for selective service if required, and (8) were a U.S. citizen or eligible noncitizen.

Students with an ISIR on file did not automatically receive a Student Aid grant. Remington College required students with an ISIR to apply for the grant and identify in their application the financial hardships they were experiencing due to the coronavirus, including hardships related to food, housing, course materials, technology, healthcare, and childcare. Remington College only allowed students who were enrolled at a ground-based campus and had an ISIR on file to apply for a Student Aid grant.[13] Figure 2 on the following page provides an overview of the Student Aid grant application process at Remington College.

[12] The ISIR contains information the student reported on the Free Application for Federal Student Aid (FAFSA) form, which includes information for determining Title IV eligibility.

[13] Students enrolled at Remington College's online campus (100-percent distance education students) could not apply.

Figure 2. Student Aid Grant Application Process at Remington College



Remington College Comments

Remington College stated that it agreed with the finding. Because this was a positive finding, the OIG did not issue any recommendations.

Finding 2. Remington College Did Not Always Use Institutional Grant Funds for Allowable and Intended Purposes or Comply with Federal Procurement Requirements

Remington College improperly used $80,121 of its Institutional grant funds to purchase multiyear software subscriptions that extend beyond the supplemental grant performance period and may have improperly used an additional $64,985 to cover costs associated with its purchase of student computers. These funds could have been used by Remington College for other purposes or by other schools if Remington College did not need the funds and had returned them to the Department. We also found that Remington College did not always use a competitive procurement process for Institutional grant purchases over $10,000, contrary to the Federal procurement standards at 2 C.F.R. §§ 200.318 to 200.320. In addition, as discussed in Finding 3, Remington College did not manage its Institutional grant funds in accordance with Federal cash management requirements.

We reviewed two HEERF reports that Remington College posted on its website for the Institutional portion and determined that the information in those reports was generally accurate, complete, and timely.

How Remington College Used Institutional Grant Funds

Under the CARES Act, Congress intended for schools to use Institutional grant funds to cover any costs associated with significant changes to the delivery of instruction due to coronavirus. In deciding how to use its Institutional grant funds, Remington College's Provost stated that the school's spending decisions were driven by its desire to protect students and staff from the spread of the coronavirus and to convert as much ground-based instruction to distance learning as possible. To help decide what costs might be allowable for reimbursement under the grant, Remington College's Chief Financial Officer (CFO) told us that officials making the spending decisions consulted with the school's executive committee (composed of senior managers and General Counsel) and external counsel.

Of the $1.2 million spent as of December 31, 2020, Remington College reported using 84 percent for expenditures related to software for online instruction and library services; updates to online curricula and training in online instruction; additional instructional equipment; and computers for faculty, staff, and students; as shown in Table 1 on the following page. Remington College officials told us that the school used these funds, in part, to purchase software subscriptions to enhance distance learning capability and capacity and convert in-person courses and laboratory classes to online

instruction. Remington College also reported using the remaining 16 percent for expenditures related to campus safety and cleaning, such as personal protection equipment, enhanced cleaning services, and portable and permanent air purification systems to improve air quality at school facilities.

Table 1. Remington College's Institutional Expenditures through December 31, 2020

Category of Expenditure	Amount	Percent of Total
Software for Online Classes, Virtual Laboratory Classes, and Library Services	$625,408	51.2%
Computers for Faculty, Staff, and Students	$298,614	24.4%
Updating Online Class Curricula and Training in Online Instruction	$68,805	5.6%
Additional Instructional Equipment	$33,860	2.8%
Campus Safety and Cleaning	$195,163	16.0%
Total	**$1,221,850**	**100%**

SOURCE: Office of Inspector General analysis of Remington College's quarterly Institutional expenditure reports posted on its website for the periods ended September 30 and December 31, 2020.

Remington College Improperly Used Institutional Grant Funds for Subscriptions that Extend beyond the Supplemental Grant Performance Period

Remington College used $564,479 of its initial CARES Act Institutional grant funds to purchase multiyear subscriptions (2- and 3-year subscriptions) from six vendors for various online learning systems and online library resources. At the time of the purchase, which was before Remington College was awarded supplemental Institutional grant funds under CRRSAA and ARP, $338,161 of the subscription costs extended beyond the initial Institutional grant performance period which ended May 4, 2021, and were thus unallowable.[14]

[14] According to 2 C.F.R. § 200.404, a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Remington College was later awarded supplemental Institutional grant funds under CRRSAA and ARP, which extended the Institutional grant performance period end date for all Institutional grant funds awarded under the CARES Act, CRRSAA, and ARP to May 19, 2022. The Department's extension of the Institutional grant performance period reduced the amount of excessive subscription costs that Remington College improperly prepaid. As shown in Table 2, Remington College still improperly used $80,121 of Institutional grant funds for subscriptions that extend beyond the supplemental Institutional grant performance period ending May 19, 2022. According to cost principles specified in Uniform Guidance at 2 C.F.R. § 200.309, "a non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance…." Thus, Remington College should not have used Institutional grant funds to prepay costs that would be incurred after May 19, 2022.

Table 2. Subscriptions Extending Beyond Remington College's Initial and Supplemental Institutional Grant Performance Periods

Vendor	Subscription	Subscription Period	Total Subscription Amount	Amounts Extending beyond May 4, 2021 (initial grant)	Amounts Extending beyond May 19, 2022 (supplemental grant)
Vendor 1	Online training for skilled trades	08/2020–07/2022 (2 years)	$152,900	$84,608	$11,825
Vendor 2	Online tutoring and simulated learning for students	08/2020–07/2022 (2 years)	$292,600	$170,683	$24,383
Vendor 3	Access to academic videos	09/2020–08/2023 (3 years)	$11,438	$8,625	$4,875
Vendor 4	Online instruction resources for faculty	09/2020–08/2023 (3 years)	$30,000	$20,625	$10,375
Vendor 5	Hotel and restaurant management simulations	09/2020–08/2023 (3 years)	$32,000	$24,000	$13,333
Vendor 6	Online library resources	09/2020–08/2023 (3 years)	$45,541	$29,620	$15,330
Total	**-**	**-**	**$564,479**	**$338,161**	**$80,121**

SOURCE: Office of Inspector General analysis of Remington College's expenditure data.

Remington College had the option to purchase 1-year subscriptions from the vendors but instead chose to purchase multiyear subscriptions. Remington College's CFO told us that the school purchased multiyear subscriptions because the annual cost was lower when compared to the 1-year price and the school wanted students enrolled in its 18-month associates degree program to have access to the online resources throughout their program. However, to comply with 2 C.F.R. § 200.309, Remington College should have charged to the Institutional grant only those subscription costs through May 19, 2022. Subscription costs after that date should be paid for with other (non-HEERF) school funds.

Remington College's policies and procedures for managing the HEERF grants did not incorporate Federal requirements limiting grant charges to allowable costs incurred during the grant performance period. Further, Remington College had only limited experience administering Federal grants before receiving Institutional grant funds.[15] By charging the full cost of the multiyear subscriptions to the grant, Remington College officials did not apply the applicable cost principles contained in Uniform Guidance. Remington College officials told us that the guidance provided by OPE was not timely and sometimes difficult to understand. Going forward, we strongly encourage Remington College to reach out to OPE for guidance and technical assistance when it has questions regarding allowable uses of Institutional grant funds. Remington College's limited experience administering Federal grants and the nature of the Institutional grant (for example, a new grant with expedited implementation timeframes) likely contributed to the school's noncompliance in this area. It is critical that grantees not prepay costs that extend beyond the grant performance period. Properly allocating costs to the grant performance period protects taxpayer dollars; minimizes the risk of fraud, waste, and abuse; and ensures that Federal funds are used for allowable and intended purposes.

Remington College May Have Improperly Used Institutional Grant Funds for Costs Related to Student Computer Purchases

Remington College may have improperly used $64,985 of its Institutional grant funds to cover costs associated with its purchase of student computers. Remington College's practice has been to provide all students with a laptop computer when they enroll at the school.[16] This practice was in place before March 2020, when the national emergency was declared, and continued during our fieldwork. According to Remington College's CFO, the national emergency negatively impacted the availability and price of laptop computers. Remington College ultimately purchased 772 computers for students during the audit period that were a different model and about $84 more expensive (per computer) than those purchased before March 2020. In response, Remington College charged $64,985 to the Institutional grant to cover the increased computer purchase costs.

According to Section 18004(c) of the CARES Act, Institutional grant funds must be used for expenses related to a significant change in the delivery of instruction due to the

[15] The Student Aid and Institutional grants are the only non-Title IV, direct grants that Remington College currently receives from Federal agencies.

[16] The laptop computers become the property of the students when they enroll and are not owned by the school.

coronavirus. As noted in the Introduction section of this report, Remington College closed all ground-based campuses in March 2020 and transitioned classes from in person, hands-on instruction to 100-percent online, remote instruction—a significant change in the delivery of instruction due to the coronavirus. The purchase of student computers, though, was not an expense related to this change because it has been the school's practice, even before the national emergency was declared, to provide computers to students when they enroll at the school.

However, we noted that Department guidance issued in June 2020 regarding the use of funds under HEERF suggests that, if a school experienced "disruption of instruction" as a result of the coronavirus, it could charge the costs of additional computers purchased to accommodate the student body's transition to online learning as well as the costs of computers that the school usually purchases.[17] This guidance appears to reflect a broader interpretation of allowable costs under the relevant part of the statute.

Remington College officials generally viewed all increased costs due to the national emergency as allowable costs that could be charged to the grant and did not consider whether the computer costs charged to its Institutional grant were for expenses specifically related to a significant change in the delivery of instruction due to the coronavirus. The Department's guidance, which is seemingly more permissive in terms of allowable costs than the statute itself, impacts our ability to assess whether the school improperly used $64,985 of its Institutional grant funds for this purpose. In its response to the draft of this report, Remington College stated that it refunded the computer costs by reducing the disbursements it received from the Department in April and May 2021 for other allowable expenses in the amount of $64,985. However, we did not assess the appropriateness of Remington College's subsequent reallocation of costs for other expenses.

Remington Did Not Always Use Competitive Procurement Processes

Remington College did not always use a competitive procurement process for Institutional grant purchases over $10,000. The Uniform Guidance general procurement standards at 2 C.F.R. §§ 200.318 to 200.320. require competitive processes for selecting vendors when purchases are over $10,000 (micro-purchase threshold). For purchases between $10,000 and $250,000 (simplified acquisition threshold), the procurement standards require that price or rate quotations be obtained from an adequate number of qualified sources as determined by the grantee (school). Formal procurement

[17] *Supplemental Frequently Asked Questions under Section 18004 of the Coronavirus Aid, Relief, and Economic Security (CARES)* Act, June 30, 2020. Question 9 addresses purchases of student computers.

methods, which include publicly soliciting prices from prospective vendors, are required for purchases over $250,000. All procurement transactions for acquiring property or services must be conducted in a manner providing full and open competition consistent with the procurement standards.

Contrary to 2 C.F.R. §§ 200.318 to 200.320, Remington College did not use competitive procurement processes to select vendors for six service contracts that exceeded $10,000. The total cost of these contracts was $639,400, with contracts ranging from $30,000 to $292,600. As of December 31, 2020, the school had charged $388,598 (61 percent) to the Institutional grant for services provided under these contracts that should have but did not go through a competitive procurement process before they were purchased. Rather than using competitive procurement processes, Remington College selected these vendors based on input from school officials (including faculty) and prior business experience with these vendors, as shown in Table 3.

Table 3. Contracts for Which a Competitive Procurement Process Was Not Used and Remington College's Reasons for Selecting the Vendors

Contract Number	Description of Contract Services	Total Contract Amount	Reason(s) Why Vendor was Selected
Contract 1	Online tutoring and simulated learning for students.	$292,600	Per the school's Provost, the new vendor's services were more robust than the previous vendor's services.
Contract 2	Online instruction resources for faculty.	$30,000	Per the school's Provost, the faculty preferred the new vendor's resources.
Contract 3	Hybrid course development for Cosmetology program.	$79,200	The school has maintained a long-term relationship with this vendor and is satisfied with the vendor's work.
Contract 4	Hybrid course development for HVAC program.	$79,200	The school has maintained a long-term relationship with this vendor and is satisfied with the vendor's work.
Contract 5	Hybrid course development for Medical Assistant program.	$79,200	The school has maintained a long-term relationship with this vendor and is satisfied with the vendor's work.

Contract Number	Description of Contract Services	Total Contract Amount	Reason(s) Why Vendor was Selected
Contract 6	Hybrid course development for Facility Maintenance program.	$79,200	The school has maintained a long-term relationship with this vendor and is satisfied with the vendor's work.
Total	**-**	**$639,400**	**-**

SOURCE: Office of Inspector General analysis of Remington College's expenditure data and the school's CFO.

Contrary to the Uniform Guidance general procurement standards, Remington College did not use a formal procurement process for Contract 1 or obtain price or rate quotations from an adequate number of qualified vendors for Contracts 2–6. There are exceptions to a competitive procurement process available under 2 C.F.R. § 200.320(f), which in part include exceptions if the item is available only from a single source or if the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. However, none of the exceptions to a competitive procurement process available under 2 C.F.R. § 200.320(f) applied to these contracts. There were other vendors available to provide similar services or resources (not a sole-source situation) and the contracts were executed in the latter part of 2020. Because the contracts were executed 6–9 months after the coronavirus pandemic began, Remington College should have had sufficient time to use a competitive procurement process for these contracts.

Remington College's policies and procedures for managing the HEERF grants did not incorporate Federal procurement requirements related to using competitive processes for selecting vendors when purchases are over $10,000, obtaining price or rate quotations from an adequate number of qualified vendors for purchases between $10,000 and $250,000, and using formal procurement methods for purchases over $250,000. Additionally, as previously discussed, Remington College had only limited experience administering Federal grants before receiving Institutional grant funds. By not using competitive procurement processes for Institutional grant purchases exceeding $10,000, Remington College officials did not apply the general procurement standards and requirements contained in Uniform Guidance. While Remington College may have had reasons for selecting vendors based on previous experience and employee feedback, it is critical that Federal grantees such as Remington College use and document a competitive procurement process when required to do so by Federal law or regulation. 2 C.F.R. § 200.404 states that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. When determining the reasonableness of a cost, a grantee must, in part, consider the market

prices for comparable goods or services. A competitive procurement process helps ensure that grantees do not overpay for large purchases and receive goods and services of sufficient quality. Without a competitive process, Remington College (and by extension, taxpayers) might be paying more for the same goods and services or receiving goods and services of inferior quality when compared to other vendors.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education—

2.1 Require Remington College to return to the Department the $80,121 in Institutional grant funds spent beyond the supplemental Institutional grant period or reallocate the funds to other allowable costs.

2.2 Clarify whether the costs that Remington College initially charged to its Institutional grant for student computers were allowable under the law and existing guidance, and determine whether Remington College's subsequent reallocation of costs for other expenses in the amount of $64,985 (corrective actions) was appropriate.

2.3 Determine whether the $639,400 that Remington College charged to its Institutional grant for contracts awarded without a competitive procurement process was reasonable when compared to the quality and costs of suitable alternatives, and if not, require appropriate corrective actions.

2.4 Require Remington College to incorporate in its policies and procedures for managing HEERF grant funds the Federal requirements related to charging only allowable costs during the grant performance period, using competitive processes for selecting vendors when purchases are over $10,000, obtaining price or rate quotations from an adequate number of qualified vendors for purchases between $10,000 and $250,000, and using formal procurement methods for purchases over $250,000.

2.5 Require Remington College to ensure that school officials responsible for making purchasing decisions receive sufficient training on Federal rules and regulations related to grant administration and management.

Remington College Comments

Remington College disagreed with the finding and the recommendation that it return to the Department, or reallocate to other allowable costs, the $80,121 in Institutional grant funds spent beyond the supplemental Institutional grant period (Recommendation 2.1). Remington College did not explicitly state whether it agreed or

disagreed with the other recommendations, but it took corrective actions in response to them, where applicable.

Remington College disagreed with sub-finding, Subscriptions Extending Beyond Supplemental Grant Performance Period, stating that the software was for the direct benefit of students and supported the school's transition in educational programming in response to the coronavirus. Remington College said that it decided to sign software agreements for multiple years, in part, because that approach was more cost effective. The school further stated that if it had secured the software for only 1 year, students enrolling in programs at that time might not have had access to the software for the duration of their program. Remington College noted that the 2- and 3-year subscriptions ensured that most students enrolling within the first year would be able to access the software for the duration of their 24-month associate degree programs. For these reasons, Remington College disagreed with Recommendation 2.1.

Remington College disagreed with sub-finding, Student Computer Purchases, stating that the increased cost of student laptops was attributable to a significant change in the school's delivery of instruction. Remington College said that the higher computer costs were due to supply chain interruptions, material shortages, and high demand for computers caused by the coronavirus. It further stated that computer prices increased because there were so many schools requesting computers at the same time and because most computer parts originated from China. Remington College also noted that Department guidance indicated that schools could use HEERF grant funds for pre-planned technology costs. While it disagreed with the sub-finding, Remington College took the corrective action of refunding the computer costs by reducing the disbursements it received from the Department in April and May 2021 for other allowable expenses of $64,985.

Remington College disagreed with sub-finding, Competitive Procurement Processes, stating that it was best for students to have a seamless transition without months of delay from vetting, testing, and negotiating with other vendors. Remington College noted that its primary vendor (the vendor for Contracts 3–6 in Table 3 of the report) maintains the school's student portal and website and has been the exclusive provider of the school's online learning programs since 2017. The school said that moving to another vendor was not in the best interest of the students or the school. Remington College said that it did solicit bids and proposals before executing the other contracts (Contracts 1–2 in Table 3). However, the school noted that in some cases, no responses were received from prospective vendors, and in other cases, the solution options were so limited that comparable bids were unavailable. Remington College also noted that Department guidance regarding application of Uniform Guidance and competitive

bidding was limited until recently, citing the March 2021 issuance of the HEERF audit guide to support that clear guidance was only recently provided.

While it disagreed with the sub-finding, Remington College said that it welcomes the opportunity to prove to the Department that the $639,400 in contracts awarded without a competitive procurement process was reasonable. It also said that it took corrective action by incorporating the Federal procurement requirements into its policies and procedures for managing HEERF grant funds and purchasing training seminars on government grant administration and management for school personnel responsible for making purchasing decisions (training to be completed by August 15, 2021).

Office of Inspector General Response

Regarding the Subscriptions Extending Beyond Supplemental Grant Performance Period sub-finding, our report does not question the of the software purchased or whether there may have been some benefits associated with the school's decision to purchase subscriptions for multiple years. However, as noted in this report, Remington College must use non-HEERF grant funds to pay for subscription services extending beyond the supplemental grant performance period ending May 19, 2022, to comply with 2 C.F.R. § 200.309. To use HEERF funds beyond May 19, 2022, Remington College would have to request a no-cost extension of the grant period and the Department would have to determine that such an extension was appropriate under 2 C.F.R. § 200.308.

Regarding the Student Computer Purchases sub-finding, our report does not opine on the cause of the higher prices that Remington College paid for student computers. The sub-finding questioned whether Remington College used the Institutional grant funds to pay for expenses related to a significant change in the delivery of instruction due to the coronavirus, as required by Section 18004(c) of the CARES Act. As noted in this report, Remington College's purchase of student computers was not an expense related to this change because it has been the school's practice, even before the national emergency was declared, to provide computers to students when they enroll at the school. Our report acknowledges that Department guidance issued in June 2020 regarding the use of funds under HEERF suggests that, if a school experienced "disruption of instruction" because of the coronavirus, it could charge the costs of additional computers purchased to accommodate the student body's transition to online learning as well as the costs of computers that the school usually purchases. This guidance appears to reflect a broader interpretation of allowable costs than Section 18004(c) of the CARES Act. Because Remington College said that it had refunded the $64,985 in increased computer purchase costs to the Department, we added a sentence in Finding 2 and modified Recommendation 2.2 to reflect the refund.

Regarding the Competitive Procurement Processes sub-finding, our report does not question the school's vendor selections for the six contracts identified in this report. Rather, our report describes the Uniform Guidance general procurement standards that all Federal grantees, including Remington College, must comply with. As noted in this report, there are exceptions to a competitive procurement process available under 2 C.F.R. § 200.320(f), which in part include exceptions if the item is available only from a single source or if the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. If Remington College thought an exception applied for these contracts, it should have requested a waiver from the Department. Because the contracts were executed 6 to 9 months after the coronavirus pandemic began, Remington College should have had sufficient time to either use a competitive procurement process for these contracts or request a waiver from the Department.

We did not make any substantive changes to the finding based on Remington College's comments. As noted in our response above, we added a sentence describing the corrective action that Remington College said it took in response to the Student Computer Purchases sub-finding and modified Recommendation 2.2 in response to Remington College's stated corrective action for that sub-finding. Remington College's proposed actions, if implemented, are responsive to Recommendations 2.2, 2.3, 2.4, and 2.5.

Finding 3. Remington College Did Not Follow Federal Cash Management Requirements

Remington College did not minimize the time between drawing down and spending its Institutional grants funds or deposit its excess HEERF funds (Student Aid and Institutional) in an interest-bearing account, as required by Federal cash management regulations. Remington College officials did not demonstrate an understanding of, and generally lacked policies and procedures to ensure compliance with, the cash management requirements.

Federal regulations at 2 C.F.R. § 200.305(b) state that non-Federal entities such as Remington College "must minimize the time elapsing between the transfer of funds from [the Department] and the disbursement by the non-Federal entity …." The regulations further state that advance payments must be limited to actual cash requirements for approved purposes, that these payments must be held in interest-bearing accounts, and that up to $500 earned interest per year may be retained by the non-Federal entity for administrative expenses. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted to the Department of Health and Human Services Payment Management System.

According to Remington College's CFO, the school did not follow Federal cash management requirements set forth in 2 C.F.R. § 200.305(b) because school officials had not received specific cash management guidance from the Department before the school drew down its HEERF funds. Remington College officials stated that they were unaware of the Federal cash management requirements until we brought it to the school's attention in January 2021 as part of our audit.[18] However, when signing the respective Recipient's Funding Certification and Agreement in April 2020 to access its Student Aid and Institutional grant funds, Remington College certified that it would comply with 2 C.F.R. Part 200. Enclosure 4 of the GAN for the Student Aid and Institutional grants, respectively dated in April and May 2020, also reminded grantees of existing cash management requirements in 2 C.F.R. Part 200 and described the requirements in detail. Further, OPE provided specific guidance regarding Federal cash management requirements in a Frequently Asked Questions (FAQ) document that it issued in October 2020, which was about 3 months before we informed Remington

[18] In January 2021, we informed Remington College that it was not complying with applicable Federal cash management requirements and explained that that all Federal funds, including HEERF funds, should be maintained in an interest-bearing account and should only be drawn down based on a grantee's immediate needs.

College that it was not complying with Federal cash management requirements.[19] Additionally, Remington College has been a long-time participant in the Title IV Federal student aid programs, which are subject to similar cash management requirements. Even though school officials had limited experience administering Federal grants, they were made aware of, agreed to comply with, and should have ensured compliance with Federal cash management requirements.

Nevertheless, Remington College's policies and procedures for managing the HEERF grants did not incorporate Federal cash management requirements related to minimizing the time between drawing down and spending its Institutional grant funds, maintaining HEERF funds (Student Aid and Institutional) in an interest-bearing account, or remitting interest earned in excess of $500 to the Federal government. Remington College's policy for managing its Student Aid grant funds required that funds be distributed within 3 days of receipt but did not require the school to deposit funds in an interest-bearing account or remit excess interest earned. Remington College's policy for managing Institutional grant funds was generally limited to ensuring that Institutional grant funds were deposited in a separate bank account to provide accurate accounting to the Department and were used for allowable purposes under the CARES Act. Upon learning of its noncompliance with cash management requirements in January 2021, Remington College took the following corrective actions:

- Returned to the Department $5.5 million in Institutional grant funds that it had drawn down in May 2020 but had not spent as of January 2021;
- Deposited $25,000 in Institutional grant funds, which were needed to pay outstanding obligations, in a business checking account that earns interest; and
- Deposited $1,876 in school funds (non-HEERF funds) into the business checking account where its Institutional grant funds are held. This amount represented Remington College's estimate of imputed interest that the school would have earned if it had deposited Institutional grant funds in an interest-bearing account from the start.

Remington College Did Not Minimize the Time Between Drawing Down and Spending Institutional Grant Funds

Remington College drew down all of its Institutional grant funds in advance of immediate cash needs and, thus, did not minimize the time between drawing down and spending the funds. The Department authorized $6,704,434 in Institutional grant funds

[19] *Higher Education Emergency Relief Fund (HEERF) Frequently Asked Questions (FAQ) Rollup Document,* October 14, 2020. Question 9 addresses Federal cash management requirements.

for Remington College on May 5, 2020, and Remington College drew down all the funds on May 19, 2020. Remington College did not have an immediate cash need for all the drawn funds, as discussed below, and, thus, did not comply with 2 C.F.R. § 200.305(b)(1).

As shown in Table 4, Remington College did not begin to spend its Institutional grant funds until June 8, 2020, and by December 31, 2020, had spent only $1.1 million (17 percent) in Institutional grant funds. As noted above, Remington College returned to the Department $5.5 million in Institutional grant funds that it had drawn down in May 2020 but had not spent as of January 2021.

Table 4. Drawdown and Spending Activity for Remington College's Institutional Grant Funds, May 19 through December 31, 2020

Date	Drawdown and (Spending) Amounts	Remaining Institutional Grant Funds	Percent of Drawn Funds Spent (Cumulative)	Number of Days Elapsed from May 19, 2020
May 19, 2020	$6,704,434	$6,704,434	0	0
June 8, 2020	(18,676)	6,685,758	0.3%	20
July 9, 2020	(12,216)	6,673,541	0.5%	51
August 13, 2020	(15,645)	6,657,896	0.7%	86
August 17, 2020	(152,900)	6,504,996	3.0%	90
August 27, 2020	(292,600)	6,212,396	7.3%	100
September 10, 2020	(48,207)	6,164,189	8.1%	114
September 17, 2020	(115,302)	6,048,888	9.8%	121
October 8, 2020	(213,000)	5,835,887	13.0%	142
October 28, 2020	(48,874)	5,787,013	13.7%	162
November 6, 2020	(151,215)	5,635,798	15.9%	171
December 4, 2020	(58,800)	5,576,998	16.8%	199
December 31, 2020	0	5,576,998	16.8%	226

SOURCE: Office of Inspector General Analysis of Remington College's drawdowns and spending, as recorded in the Department's G5 system and the school's bank statements.

Student Aid Grant Funds. Remington College minimized the time between drawing down and disbursing of its Student Aid grant funds in accordance with Federal cash management requirements and school policy.[20] However, it had to void and reissue 21 of the 2,214 checks it sent to students because the students either did not receive the first check or did not deposit the check timely. The Student Aid funds for those 21 students were maintained in a noninterest-bearing account anywhere from 1 to 21 days after the school drew down the funds. Interest could have been earned on those funds if they had been held in an interest-bearing account and thus would have increased the amount of total interest that Remington College earned on all Federal funds (Student Aid and Institutional) and the amount that the school should remit to the Federal government.

Remington College Did Not Maintain Student Aid and Institutional Grant Funds in Interest-Bearing Accounts

Upon drawing down its Student Aid and Institutional grant funds from the Department, Remington College maintained the funds in noninterest-bearing bank accounts. After we informed Remington College that Federal funds should be maintained in an interest-bearing account unless certain conditions apply, it established and deposited its Institutional grant funds in an interest-bearing bank account. According to Remington College's CFO, the school still uses a noninterest-bearing account for its Student Aid grant funds because the costs of establishing and using an interest-bearing account (for example, account fees, or costs for checks and establishing new parameters in the accounting system) would offset any interest earned. The CFO also told us that any interest earned on the Student Aid funds would have been small and less than $500 annually. However, the $500 annual interest threshold applies to interest earned on all Federal grant funds, not individual Federal grants. If Remington College had deposited its Student Aid and Institutional grant funds in interest-bearing accounts, it likely would have earned more than $500 in interest (even at a low interest rate) and thus would have been required to remit the excess interest earned to the Federal government.

Remington College Calculated Imputed Interest

In January 2021, Remington College calculated the amount of interest its Institutional grant funds might have earned (imputed interest) had the funds been deposited in an interest-bearing account from the start. Remington College calculated and set aside $1,876 for imputed interest that the school believes its Institutional grant funds would

[20] Remington College contracted with a third-party vendor to draw down Student Aid grant funds and deposit the funds in the school's operating bank account.

have earned. We did not assess the reasonableness of Remington College's interest calculation.

It is critical that schools not draw Federal funds before they have immediate need for the funds. The U.S. Treasury incurs additional borrowing costs when a school draws Federal funds in advance of its immediate cash needs because the U.S. Treasury often borrows the cash needed to fund Federal programs and, as a result, incurs interest costs.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education—

3.1 Require Remington College to incorporate in its policies and procedures for managing Institutional grant funds the Federal cash management requirements related to minimizing the time between drawing down and spending Federal grant funds, including HEERF funds; maintaining the funds in an interest-bearing account; and remitting interest earned in excess of $500 in accordance with 2 C.F.R. § 200.305(b).

3.2 Require Remington College to incorporate in its policies and procedures for managing Student Aid grant funds the Federal cash management requirements related to maintaining the funds in an interest-bearing account and remitting interest earned in excess of $500 in accordance with 2 C.F.R. § 200.305(b).

3.3 Determine whether Remington College accurately calculated interest and ensure that the correct amount of interest is returned to the Federal government in accordance with 2 C.F.R. § 200.305(b)(9).

Remington College Comments

Remington College disagreed with the finding, stating that at the time it drew down the Institutional grant funds (May 2020), the Department had advised schools to use the funds expeditiously and its single draw of Institutional grant funds facilitated swift administration of the funds. Remington College also said that the Department's initial cash management guidance was limited and did not mention the requirement that schools limit the time between draw and expenditure of HEERF grant funds to 15 days. Remington College acknowledged that documents accompanying the GAN that it received from the Department discussed minimizing the time between drawing and spending Federal funds, while also noting that the GAN and the Department's initial HEERF guidance did not include the 15-day timeframe. Remington College acknowledged that subsequent GANs included the 15-day timeframe and that it should not have drawn all Institutional grant funds in a single transaction.

Remington College stated that it did not know that HEERF grant funds had to be deposited into an interest-bearing account because at the time it drew down the funds, that requirement was not covered during training webinars that school officials attended or during discussions that these officials had with the school's auditors and counsel. Remington College noted that the Department issued additional cash management guidance in October 2020 (7 months after HEERF grant funds were awarded to schools), suggesting that the Department's prior guidance was unclear.

While it disagreed with the finding, Remington College noted the corrective actions it has taken which include returning unexpended Institutional grant funds to the Department, setting aside money to cover the interest that would have been earned on those funds, updating its policies and procedures for managing Institutional grant funds to include applicable cash management requirements, and setting up interest-bearing accounts for its Institutional and Student Aid grant funds. Remington College also agreed to remit interest earned in excess of $500 in accordance with 2 C.F.R. § 200.305(b).

Office of Inspector General Response

We acknowledge that the Department strengthened its guidance regarding cash management in its October 2020 FAQ document and in GANs for CRRSAA and ARP funds. However, this does not excuse grantees from complying with the Federal cash management requirements that they agreed to follow when they applied for and received CARES Act funds. Enclosure 4, which was attached to the Student Aid and Institutional GANs that Remington College signed, described the cash management requirements under 2 C.F.R. § 200.305(b) that Remington College must follow. The requirements included minimizing the time between draw and disbursement of grant funds and depositing those grant funds in an interest-bearing account. Further, as noted in this report, Remington College did not take actions to comply with the Federal cash management requirements until January 2021 (3 months after the Department's October 2020 FAQ update) when we informed the school that it was not complying with those requirements.

Remington College stated that its single draw of Institutional grant funds facilitated swift administration of the funds and was done in response to the Department advising schools to use funds expeditiously. However, grant funds that are drawn down and deposited into a school's bank account do not constitute a 'use' of those funds. Funds are used when they pay for allowable costs. As noted in this report, Remington College drew down the entire $6.7 million in Institutional grant funds in May 2020 and had only spent (used) $1.1 million (17 percent) as of December 31, 2020. In its comments, Remington College acknowledged that it should not have drawn down the entire $6.7 million in May 2020.

We did not make any changes to the finding and recommendations based on Remington College's comments. Remington College's proposed actions, if implemented, are responsive to the recommendations.

Appendix A. Scope and Methodology

Our audit covered Remington College's use of HEERF funds from the grant award date through September 30, 2020. The award date for Remington College's Student Aid grant was April 25, 2020, and the award date for its Institutional grant was May 5, 2020. Because Remington College drew down but did not expend all Institutional grant funds by September 30, 2020, we also included in our review expenditures through December 31, 2020, that were paid for with Institutional grant funds that the school had drawn down by September 30, 2020. Our audit also covered Remington College's cash management practices and reporting of HEERF expenditures.

To achieve our objective, we first gained an understanding of the following laws, regulations, and other guidance relevant to HEERF:

- Section 18004 of the CARES Act, "Higher Education Emergency Relief Fund;"
- Section 314 of CRRSAA, "Higher Education Emergency Relief Fund;"
- Section 2003 of ARP, Higher Education Emergency Relief Fund;
- 2 C.F.R. Part 200 (Uniform Guidance), including sections 200.305(b) (Cash management by non-Federal entity), 200.318 to 200.320 (General procurement standards and competition), and 200.403 (Factors affecting allowability of costs to Federal grants);
- Department's Interim Final Rule (June 17, 2020) regarding student eligibility; Secretary of Education letters (April 9 and April 21, 2020) addressing school access to HEERF grants; and five HEERF FAQ documents issued from April through October 2020, including Student Portion FAQs (April 9, 2020), Supplemental FAQ regarding allowable uses of HEERF funds before CRRSAA was enacted (June 30, 2020), and FAQ Rollup Document (October 14, 2020); and
- Remington College's Student Aid and Institutional grant documents, including its signed Certification and Agreement and the Grant Award Notification.

We also reviewed the following prior Office of Inspector General and Government Accountability Office reports to gain an understanding of common risks associated with managing emergency grants, such as HEERF:

- Office of Inspector General reports, *Challenges for Consideration in Implementing and Overseeing the CARES Act*, X20DC0003 (September 2020); and *Lessons from Implementing the American Recovery and Reinvestment Act of 2009*, X09M0002 (September 2014); and

- Government Accountability Office report, *COVID-19: Opportunities to Improve Federal Response Efforts*, GAO-20-625 (June 2020).

We then gained an understanding of Remington College's processes for drawing down and managing HEERF funds, awarding and distributing Student Aid funds to students, spending Institutional funds, and preparing HEERF expenditure reports through interviews and reviews of relevant documentation. We interviewed employees, officials, or both, from Remington College's Accounting, Financial Aid, and Financial Assistance Compliance departments who had a significant role in administering the school's HEERF funds. We also interviewed Remington College's Provost and General Counsel of Human Resources. To assess the reliability of the testimonial evidence, we compared information obtained through interviews with relevant documents and records. We concluded that the testimonial evidence we obtained was sufficiently reliable within the context of our audit objective.

We reviewed Remington College's written policies and procedures for managing, authorizing, and accounting for HEERF-related transactions and expenditures. Additionally, we reviewed Remington College's drawdown and refund information from the Department's G5 system. We also reviewed relevant information from Remington College's bank statements and accounting and student financial aid systems. We describe how we used this information to review Remington College's (1) use of Student Aid and Institutional grant funds in the Sampling Methodology section on the next page and (2) cash management practices and HEERF reports below.

Cash Management. We reviewed Remington College's cash management practices to determine whether the school was complying with Federal cash management requirements. We compared Remington College's drawdowns of Student Aid and Institutional funds (obtained from the Department's G5 system) to its expenditure records to determine whether the school minimized the time between drawing down and spending those funds. We also traced drawdown information from the Department's G5 system to Remington College's bank statements and accounting records to verify that the information reconciled. Lastly, we reviewed the type of accounts that Remington College used to deposit HEERF funds to determine whether the accounts earned interest.

Reporting. We reviewed the following Student Aid and Institutional reports to determine whether (1) Remington College posted its reports on use of HEERF funds on time and (2) the information included in those reports were complete and accurate:

- Student Aid report dated June 11, 2020 (initial report);
- Student Aid report dated July 24, 2020 (45-day report);
- Student Aid report for quarter ended September 30, 2020;

- Institutional report for quarter ended September 30, 2020; and
- Institutional report for quarter ended December 31, 2020.

To determine whether the reports were submitted on time, we compared each report's posting date to the reporting due date established by the Department. To determine whether the reports included complete and accurate information, we compared the information in each report to the Department's reporting requirements and to the applicable underlying source data (for example, school's accounting records, bank statements).

Sampling Methodology

Student Aid Expenditure Selection and Testing

During our audit period, Remington College awarded 2,214 Student Aid grants to 2,211 students. We used stratified, random sampling to select 30 Student Aid grants for review. We considered the following when defining the strata from which samples would be selected for testing: (1) whether the student had filed a Free Application for Federal Student Aid (FAFSA) with the Department (students with a FAFSA), (2) whether the student had received a Pell grant or Direct loan (students with financial aid), and (3) the school official who reviewed the Student Aid grant application.[21] On account of these factors, we defined seven distinct strata, as shown in Table 5.

[21] Two Remington College officials were responsible for reviewing and approving students' applications for Student Aid grants. We chose to create a stratum for each unique situation that applied to each reviewer.

Table 5. Universes and Samples of Student Aid Grant Expenditures through September 30, 2020

Stratum	Description	Universe Student Grant Count and Dollar Amount	Sample Student Grant Count and Dollar Amount	Sample Coverage—Student Grant Count and Dollar Amount (percent)
1	Reviewer 1—Students with both a FAFSA and financial aid.	882 grants $1,631,700	10 grants $18,500	1.1% 1.1%
2	Reviewer 1—Students with no FAFSA but with financial aid.	1 grant $1,850	1 grant $1,850	100.0% 100.0%
3	Reviewer 1—Students with a FAFSA but no financial aid.	18 grants $33,300	3 grants $5,550	16.7% 16.7%
4	Reviewer 1—Students with no FAFSA and no financial aid.	1 grant $1,850	1 grant $1,850	100.0% 100.0%
5	Reviewer 2—Students with both a FAFSA and financial aid.	1,284 grants $2,375,400	10 grants $18,500	0.8% 0.8%
6	Reviewer 2—Students with both a FAFSA and financial aid and who were awarded two grants.	6 grants $11,100	2 grants $3,700	33.3% 33.3%
7	Reviewer 2—Students with a FAFSA but no financial aid.	22 grants $40,700	3 grants $5,550	13.6% 13.6%
Total	-	**2,214 grants** **$4,095,900**	**30 grants** **$55,500**	**1.4%** **1.4%**

For the 30 grants tested, we reviewed relevant information from the school's student financial aid system (for example, student enrollment agreements, grant applications,

ISIRs) to determine whether the students were eligible to receive the grants.[22] To be eligible for a Student Aid grant, the student needed to be eligible to participate in the Title IV programs and could not have been enrolled in a 100 percent distance education program at the time the President declared a national emergency due to the coronavirus (March 13, 2020). We limited our review to student eligibility. We did not perform work to determine how students spent the grant funds or whether the students used the funds for intended purposes. The results from our testing pertain only to the students included in our review and should not be projected to the entire universe of students who received Student Aid grant funds.

Institutional Expenditure Selection and Testing

During our audit period, Remington College used Institutional funds to make 437 purchase transactions totaling $1.2 million. We used a combination of judgmental and random sampling to select 25 Institutional expenditures for review. We judgmentally selected the 20 expenditures exceeding $6,500 for review (20 largest expenditures) and randomly selected 5 of the remaining 417 expenditures for review. We selected the 20 largest expenditures because they represented about 95 percent of all Institutional expenditures. We randomly selected five additional expenditures to ensure that our testing covered some small dollar expenditures. Table 6 below summarizes our selection of 25 Institutional expenditures for review.

Table 6. Universes and Samples of Institutional Grant Expenditures through December 31, 2020

Description	Universe Institutional Grant Expenditure Count and Dollar Amount	Sample Institutional Grant Expenditure Count and Dollar Amount	Sample Coverage – Institutional Grant Expenditure Count and Dollar Amount (percent)
Institutional Expenditures Exceeding $6,500	20 expenditures $1,163,614	20 expenditures $1,163,614	100.0% 100.0%
All Other Institutional Expenditures	417 expenditures $58,237	5 expenditures $9,690	1.2% 16.6%
Total	**437 expenditures** **$1,221,851**	**25 expenditures** **$1,173,304**	**5.7%** **96.0%**

[22] As part of this work, we also reviewed documentation to confirm that Remington College distributed the Student Aid grant funds to the students.

For the 25 expenditures tested, we reviewed supporting documentation such as purchase authorizations, justifications, and invoices to determine whether the expenditures were allowable and for purposes intended under the CARES Act. Specifically, we reviewed each expenditure to determine whether it was valid, authorized, allowable, allocable, and reasonable in accordance with the CARES Act; Uniform Guidance at 2 C.F.R. Part 200; applicable program guidance (HEERF FAQs); the school's policies and procedures; and other applicable laws, regulations, and guidance. The results from our testing pertain only to the expenditures included in our review and should not be projected to the entire universe of Institutional grant expenditures.

Use of Computer-Processed Data

We relied, in part, on computer data stored in the school's financial aid and accounting systems to accomplish our objective. We obtained information from the school's financial aid system on enrollment, attendance, and other data necessary to confirm a student's eligibility for a Student Aid grant. We also obtained information from the school's financial aid system on the number of students receiving Student Aid grants and the related total dollar amount of those grants to determine whether the school included complete and accurate information in its Student Aid reports. To assess the reliability of this information, we compared student data in the school's financial aid system with information in the Department's National Student Loan Data System and Central Processing System. We also compared Student Aid distribution information in the school's financial aid system with information in the school's bank statements. Further, for the 30 Student Aid grants that we tested, we reviewed copies of the checks (front and back) that Remington College mailed to students to verify the payment amount and identity of the person who cashed the check. We did not identify any issues and concluded that data in Remington College's student aid system were sufficiently reliable for the purposes of our audit.

To assess the reliability of information obtained from the school's accounting system, we compared HEERF fund deposit and expenditure information recorded in the accounting system with information in the Department's G5 system, the school's monthly bank statements, and vendor invoices. The information reconciled and we concluded that data in Remington College's accounting system were sufficiently reliable for the purposes of our audit.

Internal Controls

We considered only limited aspects of internal controls over compliance with the applicable Federal requirements to be significant within the context of the audit objective. Therefore, our assessment of the design of internal controls was limited to

gaining an understanding of Remington College's processes (controls) within the context of the individual transactions selected for testing and determining the underlying cause for identified issues.

Compliance with Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We performed our audit work remotely from December 2020 through May 2021. We discussed the results of our audit with Remington College officials on May 25, 2021.

Appendix B. Acronyms and Abbreviations

ALN	Assistance Listing Number
ARP	American Rescue Plan
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CFO	Chief Financial Officer
C.F.R.	Code of Federal Regulations
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act
Department	U.S. Department of Education
FAFSA	Free Application for Federal Student Aid
FAQ	Frequently Asked Questions
GAN	Grant Award Notification
HEERF	Higher Education Emergency Relief Fund
ISIR	Institutional Student Information Record
OPE	Office of Postsecondary Education
Title IV	Title IV of the Higher Education Act of 1965

Remington College Comments

REMINGTON COLLEGE

August 13, 2021

SENT VIA EMAIL

Daniel P. Schultz
Director of Pandemic Relief Audits
United States Department of Education
Office of Inspector General
400 Maryland Avenue, S.W.
Washington, DC 20202
Email: Daniel.P.Schultz@ed.gov

Re: Response to Remington College's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants - OIG Draft Report Control Number ED-OIG/A20CA0017

Dear Mr. Schultz:

I am writing in response to the Draft Report issued by the United States Department of Education (Department), Office of Inspector General (OIG) dated August 2, 2021, in which the OIG issued its draft findings and recommendations related to Remington College's (Institution or College) use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants (HEERF). Specifically, the OIG has requested comment from the Institution on the findings and recommendations contained in the Draft Report and I will address each of the findings in turn in this response.

The OIG specifically identified the following findings:

(1) The Institution generally used Student Aid Funds for allowable and intended purposes;
(2) The Institution did not always use Institutional grant funds for allowable and intended purposes or comply with Federal procurement requirements; and
(3) The Institution did not follow Federal cash management requirements.

Finding 1

With respect to Finding 1 that the Institution generally used Student Aid Funds for allowable and intended purposes, the Institution is in agreement with this finding. The OIG identified one issue related to the Institution failing to deposit Student Aid grant funds in an interest-bearing account in accordance with Federal cash management requirements. I will address this issue more in Finding 3 below but, in summary, the Institution will take corrective action in using an interest-bearing account for all future disbursements of additional Student Aid grant funds.

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Finding 2

With respect to Finding 2—asserting that the Institution did not always use Institutional grant funds for allowable and intended purposes or comply with Federal procurement requirements—the OIG identified the following issues:

(1) The Institution has improperly used $80,121 of Institutional grant funds to purchase multiyear software subscriptions that extend beyond the supplemental grant period;
(2) The Institution may have improperly used $64,985 of Institutional grant funds to cover costs associated with its purchase of student computers; and
(3) The Institution did not always use a competitive procurement process for Institutional grant purchases over $10,000 contrary to Federal regulations.

As a threshold matter, the Institution notes the evolving nature of Department guidance around technology spending and OMB Uniform Guidance in various respects, beginning with the declaration of the national emergency in March 2020. The College understands that the Department—like the institutions it supports—was delayed in issuing guidance around the uncountable issues presented in this unprecedented time and for the unprecedented HEERF program. The Institution has worked to carefully operate with fidelity to the guidance the Department did provide. It would be inappropriate—and potentially exceed the OIG's authority—to add additional burden and punish institutions that were attempting in good faith to follow Department direction to support students and to provide the best education to students during the most trying of times. First, as suggested in the OIG's draft report, Department guidance around technology purchases was conflicted and delayed, at best. The Institution attempted to comply to the best of its ability at a time of crisis, while the Department was:

(a) urging spending on technology to support students;
(b) indicating that institutional funds could be spent
 (i) even on pre-planned technology costs while
 (ii) not limiting institutions to technology that would last only during the grant term; and
(c) pressing institutions to quickly disperse HEERF funds to address the impact of the crisis on institutions and students.

Second, as the OIG's draft report also suggests, many institutions, like the College, were not accustomed to applying the complexities of the Uniform Guidance in relation to federal grant administration—a requirement that the Institution acknowledges is noted in grant certifications. However, the Institution notes that the Uniform Guidance was not addressed at *any* meaningful level in Department guidance until October 2020—and then was addressed only minimally. Also, while respecting the Department's authority to impose reasonable requirements around HEERF grant administration, the College notes that the Uniform Guidance is not mentioned directly in the voluminous CARES Act in relation to HEERF, and that demanding institutions implement such a complex spending scheme at a time of crisis and with respect to *emergency* funding is contrary to the intentions of the statute. Again, the Institution accepts the Department's authority as well as the need to ensure that funds are not subject to fraud or abuse, but OIG's strict enforcement of the Uniform Guidance in relation to purchases made during 2020 is wholly inappropriate. Moreover, this precedent the OIG seeks to create will not be able to withstand continued scrutiny as these HEERF spending reviews continue. Indeed, Remington's efforts to faithfully administer HEERF funds and support students do not depart from those of the vast majority of public

and private non-profit institutions across the country. With its strict interpretation, the OIG seeks to impose an unreachable set of standards given the circumstances, purposes, and timing of these funds.

Set against this backdrop and turning to the specific issues related to Finding 2, the Institution disagrees with the finding that it has "improperly" used $80,121 of Institutional grant funds to purchase multiyear software subscriptions that extend beyond the supplemental grant period. The Institution's software purchase was for the direct benefit of students and supported—and continues to support—the transition in educational programming directly related to the pandemic. When the pandemic initially hit, it was thought that it would be relatively short-lived; however, by late summer 2020 the Institution soon realized that the pandemic would be a long-haul type scenario. As such, the Institution began searching for different software programs that could bolster the educational programs and provide a better education to the students in an online environment. Ultimately, several different software programs were decided upon to better support the online learning of our students. During the negotiation process it was decided to sign agreements for multiple years as that approach offered a lower price for the solution which would end up saving the Institution money and, in the end, save the taxpayers money. Further, given the uncertainty of how long the COVID-19 pandemic would last (as is evidenced by yet another wave of infections caused by the Delta variant) or how severe the ongoing impact would be to onsite learning, the Institution thought it best to secure these learning tools for its students when they were available and for a cheaper cost. Lastly, if the Institution secured the software for only one year, students enrolling in programs at the time would have had access to the software for only a portion of their program and then would potentially lose access to those resources at some point in their program if restrictions for onsite learning extended beyond that date; shifting these students—already challenged by extraordinary educational (and other) disruptions due to the pandemic—among software applications could pose yet another barrier to their program completion. By agreeing to two or three-year terms, the Institution was ensuring most students enrolling within the first year would have access for their full 24 month associate degree programs (which would be a total of 36 months). The three year terms gave us an additional window for students to complete within maximum timeframe requirements (150% of the program length) for our longest associate degree program. This contract served the needs of students in light of pandemic-related changes to their program. As such, the Institution disagrees with the recommendation that it should return to the Department the $80,121 in Institutional grant funds spent beyond the supplemental Institutional grant period or reallocate the funds to other allowable costs.

Turning to the next specific issue raised under Finding 2, the Institution also disagrees with the finding that the Institution "may" have "improperly" used $64,985 of Institutional grant funds to cover increased costs associated with its purchase of student computers. Again, as the OIG draft report notes, Department guidance regarding allowable computer purchases is conflicted.[1] Nevertheless, after learning of this proposed finding from the OIG, and in an abundance of caution, the Institution has taken it upon itself to refund this money to the Department by reducing the disbursements it received in April and May 2021 for other allowable expenses by the amount of $64,985.

[1] See, e.g., *Supplemental Frequently Asked Questions under Section 18004 of the ... CARES Act*, (June 2020) (Q9: "If an institution usually purchases 1,000 laptops for students each year, but during the COVID-19 national emergency needs to purchase 2,000 laptops to accommodate the student body's transition to on-line learning as a result of COVID-19 related disruption can the institution use CARES Act funds to purchase all 2,000 laptops?"; A9: "Yes. The CARES Act authorizes institutions to use Institutional Relief Funds (provided under section 18004(a)(1)) or funds made available under 18004(a)(2) or 18004(a)(3) to purchase all 2,000 computers if the institution experienced disruption of instruction as a result of COVID-19...").

The Institution disagrees with the suggestion that the increased cost of student computers was not due to a significant change in the delivery of instruction due to the coronavirus. Due to the emergency nature of the pandemic, supply chain interruptions, material shortages, and overwhelming demand for laptops causing inventory shortages and long backorder times, the overall cost of laptops increased—a fact that can be verified for industries across the nation. We work with our vendor in pricing in advance of our computer orders. We do this to control costs and ensure our pricing stays as low as it can for our students' program rate. Due to the pandemic, the prices increased because of so many schools requesting computers at the same time and most parts coming out of China. Further, supply chain issues were causing (and are still causing) unpredictable and substantial delays in delivery of numerous consumer products. Although, Remington College previously supplied, and continues to supply, laptops to our students, the increased cost of these computers (a potential unavailability, if the Institution delayed its order) could have prevented Remington College, a non-profit organization, from being able to operate and deliver education to our students. This would cause even further disruption in the instruction of our students—beyond the shift to almost entirely online education acknowledged in the OIG's draft report. This cost, in our mind, is clearly attributable to a significant change in the delivery of instruction, as we may not have been able to provide the laptops without the assistance of the HEERF Grants—either without incurring additional debt or at all due to supply chain issues. Moreover, Department guidance had suggested that institutions could apply HEERF funds even to pre-planned technology costs, as noted above; applying only the increase in cost to HEERF funds was a conservative, reasonable approach to the Institution's purchase of laptops.

And with regard to the last issue raised in Finding 2—that the Institution did not always use a competitive procurement process for Institutional grant purchases over $10,000 contrary to Federal regulations—the Institution does not agree with this finding. As noted above, and while again acknowledging that the Department made a passing reference to the Uniform Guidance in the grant certification, Department substantive guidance around application of the Uniform Guidance and competitive bidding was fiercely limited until recently; for example, the Department's HEERF audit guide was not released until March 2021. The OIG draft report notes that the Institution's expenditures of concern were made six to nine months after the national emergency began, suggesting that the crisis had abated at that time—such that competitive processes would not have imposed a burden. However, OIG's draft report fails to acknowledge the constantly shifting practicalities and state of education throughout the national emergency that continues today. Again, the Institution acknowledges application of the Uniform Guidance, but emphasizes that the entire higher education sector—clearly including the Department itself—were still scrambling to interpret HEERF requirements throughout 2020.

As quickly as the pandemic happened and schools were being shut down, and due to the emergency nature of the pandemic, the Institution decided it was best for the students to have, as much as possible, a seamless transition without months of delay from vetting, testing and negotiating with other vendors. The primary vendor selected, SaltEd, has provided all of the Institution's distance/online learning programs since 2017. SaltEd maintains the Institution's student portal and the Institution's website, and assists in training and development of the Institution's courseware. SaltEd also handles programming integration and work for and with the Institution contractually on a day to day basis. They are a small business vendor that was able to assist us with any changes needed quickly because of the pandemic. Moving to another vendor was not in the best interests of the students or the school. Distance learning platforms require the vendor to understand system integration, analysis of business processes and the needs of the end user. It would be unreasonable and unfair to students and faculty to cause delays due to vetting another vendor when a vendor who already understands those concepts is readily available.

Our mission is to provide education, and as a non-profit we are careful in selecting affordable vendors. The Institution used SaltEd as it was the best path to continue the education for our students and faculty and to provide stability and calming alternatives during the uncertainty caused by the pandemic.

In relation to other noted contracts for software solutions, it should be noted that the Institution did solicit proposals and bids for all solutions. However, the unprecedented nature of the pandemic forced all similar education providers to also seek those solutions. In some cases, no responses were received and, in others, the solution options were so limited for the specific nature of our programs that comparable bids were unavailable.

While the Institution disagrees with this finding, the Institution welcomes the opportunity to prove to the Department that the $639,400 that Remington College charged to its Institutional grant for contracts allegedly awarded without a competitive procurement process was reasonable when compared to the quality and costs of suitable alternatives. Further, the Institution is agreeable to, and has incorporated in, its policies and procedures for managing HEERF grant funds the Federal requirements related to charging only allowable costs during the grant performance period, using competitive processes for selecting vendors when purchases are over $10,000, obtaining price or rate quotations from an adequate number of qualified vendors for purchases between $10,000 and $250,000, and using formal procurement methods for purchases over $250,000 (see attached Exhibit A). Further, the Institution has purchased training seminars on government grant administration and management for the personnel responsible for making purchasing decisions and will be requiring the training to be completed by August 15, 2021.

Remington College serves a population of students—many first generation, Pell eligible, minority students—faced by numerous challenges. Supporting their completion despite the impact of the pandemic through institutional supports in a timely manner was and is consistent with the Department's stated priorities for HEERF funds. The Institution respectfully submits that liabilities under Finding 2 based on technicalities would prioritize form over function—without benefit in light of the unique and one-time circumstances of the pandemic—and retroactively impose previously unpublicized (if nominally published) requirements.

Finding 3

With respect to Finding 3 that the Institution did not follow Federal cash management requirements, the Institution disagrees with this finding as well. Specifically, the OIG's finding states that the Institution neither minimized the time between drawing down and spending its Institutional funds nor deposited excess HEERF funds (Student Aid and Institutional) in an interest-bearing account, contrary to Federal regulations.

At the time the Institution initially drew down the funds at the height of the COVID-19 emergency, the Department had advised institutions to ensure funds were put to use expeditiously. At the same time, guidance regarding drawdown procedures for these funds was limited—for example, guidance directly related to HEERF funds from the Department and the Grant Award Notification (GAN) itself did not mention the Department's requirement to limit the time between drawdowns and expenditures to 15 days; the Institution acknowledges that accompanying documents to those early GANs did discuss minimizing the timeframe. Again, the Institution had not previously received grants requiring compliance systems for following the Uniform Guidance. More recent GANs expressly

provide a 15-day timeframe (suggesting a need for clarification from the prior GANs amid evolving guidance had been identified). While the Institution understands cash management requirements for administering Title IV Federal Student Aid programs, as the OIG draft report notes, HEERF grants are not part of Title IV programs. The Institution intended the single drawdown to facilitate swift administration of the grant funds, and now understands more current guidance and GANs to clarify that they should not have been drawn down. Therefore, as is stated in the Draft Report, the Institution took the initiative in returning the funds which had not yet been expended, calculating and depositing the interest that would have been accrued on the Institutional funds, and has aligned the timing of all drawdowns since that time in accordance with these requirements.

Further, at the time of the initial draw down of funds, the Institution personnel responsible for implementing the HEERF funds policies and procedures for the Institution attended several training webinars as well as having discussions with its auditors and counsel. At that time, no issue was raised related to the implementation and use of an interest-bearing account for HEERF grant funds. Further, as stated in the Draft Report, the Department issued additional guidance in October 2020, seven months after HEERF funds were first received clarifying the need for educational institutions to use interest-bearing accounts for the disbursement of Student Aid funds, which again suggested the Department needed to issue clarification to all educational institutions on this issue—indicating that prior guidance was unclear. It should be further noted that the Institution followed its Title IV disbursement policies in disbursing Student Aid grants, evidencing the Institution's attempt at complying with all HEERF program rules.

Although the Institution disagrees with this finding, the Institution has taken corrective action by updating its policies and procedures for managing Institutional grant funds by incorporating the clarified cash management requirements to ensure the Institution minimizes the time between drawing down and spending Federal grant funds, including HEERF funds; has set up interest-bearing accounts for both the Institutional and Student Aid HEERF funds; and will remit any interest earned in excess of $500 in accordance with 2 C.F.R. § 200.305(b) (see attached Exhibit A).

Conclusion

In conclusion, we acknowledge the authority of the OIG in interpreting the Department's rules and regulations and we appreciate the degree of precision with which the OIG approaches its important work. However, its approach in reaching the above-mentioned findings is flawed and results in an untenable precedent that most institutions of higher education will not satisfy. Remington, as one of the OIG's first audited schools, should not be penalized in the proposed manner, particularly given the extraordinary care with which the College approached the administration of these funds, as clearly supported by the documentation provided to the Department.

Moreover, such an approach seems to ignore the important fact that the Department knew there were open issues with the implementation of the HEERF funds program, as evidenced by the constantly changing guidance originating from the Department as it implemented this program during the global pandemic. We believe the OIG may not fully grasp the difficulty and uncertainty educational institutions were facing throughout the pandemic in 2020; these were caused both by (a) having to transition student and employee populations to distance learning and remote working as well as (b) the (understandable) vacuum of substantive guidance around expectations for implementation of innumerable aspects of the HEERF program, and (c) managing both circumstances in tandem. Nevertheless, as can be seen in the

corrective actions the Institution has taken throughout the audit process, the Institution has always attempted to follow the rules surrounding Federal grant funds and will continue to do so moving forward. The Institution vehemently disagrees with the assessment of monetary liability against it given the lack of and frequently shifting guidance from the Department during the HEERF funds program rollout. Frankly put, liabilities are inappropriate absent fraud, waste, or abuse of HEERF funds—or, at a minimum, a violation of clearly established and publicized standards explained by the primary regulatory body administering funds, the Department—which is simply not the case here.

Should the OIG have any questions related to the comments herein or any of the documentation submitted in reference to this matter, please do not hesitate to contact me.

Sincerely,



Pam Bell
President, Remington College

Enclosures